HOUSE OF REPRESENTATIVES

FISCAL RESPONSIBILITY COUNCIL
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2000 SUMMARY OF PASSED LEGISLATION

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Education Appropriations Committee

CS/HB 701, 2nd ENG -- Public School Funding
By Governmental Operations; Education Appropriations; Sorensen
Linked Bill(s): None
Related Bill(s): None

Committee(s) of Reference: Governmental Operations

CS/HB 701 creates a Task Force on Public School Funding to conduct a comprehensive examination of Florida's system of public school funding. The task force is assigned to the Office of Legislative Services and will make recommendations to the Governor and the Legislature. The task force will be composed of 15 members to be appointed by the Speaker of the House, the President of the Senate, and the Governor. An organizational meeting shall be held no later than September 1, 2000. The task force will be able to hire staff and enter into contracts. At a minimum, the task force shall review the Florida Education Finance Program, performance funding, the relationship between state and local funding, funding equity among districts and schools, instructional technology funding, choice funding, and recommendations of other funding studies. The task force shall submit draft recommendations by September 1, 2001 and final recommendations, including draft legislation, by February 1, 2002. One public hearing in each of the five educational regions shall be held before submission of final recommendations. The Florida Education Finance Program will be sunset on June 30, 2004.

CS/HB 701 also enacts a revised system for funding Exceptional Student Education (ESE) to conform to HB 2145, the General Appropriations Act. The system is created to guarantee funds for students in Exceptional Education programs and to reduce paperwork for Exceptional Education teachers. The system retains only two of the five weighted cost factors for ESE students, for more severely handicapped students in Level 4 (254) and Level 5 (255) programs. These programs will remain within the Group 2 cap for funding purposes. Funding for ESE services for the other three weighted cost factors for students with less severe handicaps and for Gifted students, programs 251 - 253, will be provided in a guaranteed allocation which will not be revised during the school year following actual student enrollment counts. The educational program for these students will be funded by the Basic program cost factor. Students in the 254 and 255 programs will continue to require the matrix of services at initial placement and once every three years thereafter. The other ESE students will not require a matrix of services and the associated paperwork. Costs for students in the 254 and 255 programs shall be reported separately and shall be at least 90 percent of the revenue generated by the cost factors in aggregate.

In addition, CS/HB 701 creates a statewide ESE scholarship program to public or private schools for students with disabilities who have not progressed in at least two areas as provided by the student's Individual Education Plan. The program is phased in and is limited to 5%, 10%, and 20% of students with disabilities in each of the first three years, respectively. In the fourth year, there is no limit on the number of students who participate. Although this program is separate and distinct from the Opportunity Scholarship Program, many of the requirements for private school participation and school district obligation are the same or similar. Funding to the parent for the scholarship shall be provided based on the amount the student would have received through the Florida Education Finance Program.

The bill also creates the Equity in School-Level Funding Act, which requires school boards to allocate at least 50% of Florida Education Finance Program funds (not including funds for Supplemental Academic Instruction), Discretionary Lottery funds, Discretionary Local funds from operating millage to individual schools within the school district in 2000-01; 65% in 2001-02; 80% in 2002-03; and 90% in 2003-04. Charter school districts are exempt from this requirement. Funds unallocated at the end of the year shall be retained by individual schools for use in the subsequent year. Categorical funds may also be included in the expenditure requirement subject to recommendations of the Governor's Equity in Educational Opportunity Task Force.

The bill also includes a provision to include any "good faith payments" made by the plaintiff, who is contesting the assessed value of its property, in the tax roll following removal of the entire assessed value of the property for purposes of calculating the Required Local Effort of the Florida Education Finance Program. This provision eliminates the potential for double-funding a portion of the school district's program and reduces the state's obligation.

Subject to the Governor’s veto powers, the effective date of this bill is upon becoming law.

Finance and Taxation Committee

CS/HB 67 & 187 -- Intangible Personal Property Taxes
By Finance & Taxation; Fasano; Starks; Dockery & others
Linked Bill(s): None
Related Bill(s): HB 415, CS/SB 60, 1st ENG

Committee(s) of Reference: Finance & Taxation; General Appropriations

The bill reduces the intangible tax rate from 1.5 mills to 1 mill. The value of accounts receivable is exempted from intangible tax.

The bill also revises the treatment of Florida trusts for intangible tax purposes. It relieves Florida trustees of paying intangible tax on trust assets, and it provides that a Florida resident with a beneficial interest in a trust is responsible for reporting his or her share of the trusts assets and paying intangible tax on it.

Changes to the intangible tax law will be effective for tax years beginning after December 31, 2000.

The bill repeals the sharing of intangible tax revenues with the counties. The bill provides that an additional 2.25 percent of the available proceeds from sales and use tax collections shall be transferred to the Revenue Sharing Trust Fund for Counties.

The estimated fiscal impact upon General Revenue is ($202.3) million for FY 00-01 and ($252.7) million for FY 01-02. The estimated fiscal impact upon local governments is ($40.2) million for FY 00-01 and ($32.3) million for FY 01-02. The total estimated fiscal impact for this bill is ($242.5) million for FY 00-01 and ($285.0) million for FY 01-02.

Subject to the Governor’s veto powers, the effective date of this bill is July 1, 2000.

HB 161, 1st ENG -- Sales Tax Exemption/Clothing
By Kilmer; Fasano; Harrington; Bense; Cantens; Casey; Posey; Lynn; Johnson; Constantine; Argenio; Kelly; Chestnut
Linked Bill(s): None
Related Bill(s): SB 64, 1st ENG

Committee(s) of Reference: Finance & Taxation; General Government Appropriations

The bill creates the Florida Residents' Tax Relief Act of 2000, which provides that no sales tax will be collected upon clothing, wallets, or bags, including handbags, backpacks, fanny packs, and diaper bags, having a selling price of $100 or less for a nine day period beginning July 29, 2000. The bill does not apply to sales within a theme park, entertainment complex, public lodging establishment, or airport.

The total estimated fiscal impact upon General Revenue is ($35.5) million for FY 00-01. There will be a ($0.1M) impact on the Solid Waste Management Trust Fund. The estimated fiscal impact upon local governments is ($5.6) million for FY 00-01. The total estimated fiscal impact for this bill is ($41.2) million for FY 00-01.

Subject to the Governor’s veto powers, the effective date of this bill is upon becoming a law.

CS/SB 388 -- Tax Exemptions
By Fiscal Resource
Linked Bill(s): None
Related Bill(s): CS/HB 263

Committee(s) of Reference: Fiscal Resource

The bill provides a sales tax exemption for sales and leases to organizations holding a current exemption from federal income tax pursuant to section 501(c)(3) of the Internal Revenue Code. Section 501(c)(3) of the Internal Revenue Code exempts from the federal corporate income tax, corporations and associations organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition or for the prevention of cruelty to children or animals.

The estimated fiscal impact upon General Revenue is ($7.8) million for FY 00-01 and ($22.0) million for FY 01-02. There will be a negative, but insignificant impact on the Solid Waste Management Trust Fund. The estimated fiscal impact upon local governments is ($1.2) million for FY 00-01 and ($3.5) million for FY 01-02. The total estimated fiscal impact for this bill is ($9.0) million for FY 00-01 and ($25.5) million for FY 01-02.

Subject to the Governor's veto powers, the effective date of this bill is January 1, 2001.

HB 1933, 2nd ENG -- Sales Tax Exemptions
By Boyd; C. Green; Gottlieb; Argenio
Linked Bill(s): None
Related Bill(s): HB 345, HB 939, HB 2359

Committee(s) of Reference: Finance & Taxation; General Government Appropriations

The bill creates a sales tax exemption for sales and leases to not-for-profit corporations which hold a current exemption from federal income tax under s. 501(c)(4) of the Internal Revenue Code, as amended, if the sole or primary function of the corporation is to construct, maintain, or operate a water system in this state.

The bill also creates tax exemptions for sales and leases to: organizations providing crime prevention, drunk driving prevention, and juvenile delinquency prevention; the Florida Fire and Emergency Services Foundation; and State Theater contract organizations which receive funding pursuant to the Cultural Institutions Program authorized under s. 265.2861, F.S., or which received funding from the Department of State as a state theater contract organization prior to October 1, 1999.

The estimated fiscal impact upon General Revenue is ($0.1) million for FY 00-01 and ($0.1) million for FY 01-02. There will be a negative, but insignificant impact on the Solid Waste Management Trust Fund. The estimated fiscal impact upon local governments is negative, but insignificant. The total estimated fiscal impact for this bill is ($0.1) million for FY 00-01 and ($0.1) million for FY 01-02.

Subject to the Governor's veto powers, the effective date of this bill is July 1, 2000.

HB 2179, 1st ENG -- School District Revenues/ Impact Fees
By Rep. Lacasa
Linked Bill(s): None
Related Bill(s): None

Committee(s) of Reference: Education K-12; Finance & Taxation; Education Appropriations

This bill was withdrawn from Education K-12.

Section 1 of the bill specifies that counties are prohibited from levying any impact fee for school purposes in excess of 37.5% of any school impact fee which that county adopted prior to May 1, 1999. However, the county is allowed to increase any existing fee if the legislature appropriates less than 62.5% of the total fees collected statewide in 1999-2000. In addition, the bill specifies that funds allocated in the General Appropriations Act for the replacement of school impact fees may be used only for the purposes for which impact fees could have been expended.

Section 2 provides that the appropriation shall be distributed to county school boards by the Department of Education "on a pro-rata basis based on the amount of school impact fees which were enacted by county ordinance prior to May 1, 1999, and collected during the 1999-2000 fiscal year."

Section 3 of the bill allows a county and its special districts to amend the budget of the prior fiscal year during the first 60 days of a fiscal year.

Section 4 specifies that if a county publicly notices an impact fee prior to April 23, 2000, and the legislature appropriates to that county less than 62.5% of the impact fee which would have been collected in 1999-2000 if the ordinance had been in effect, then the county may increase the county levied portion to make up the difference.

Subject to the Governor's veto powers, the effective date of this bill is July 1, 2000.

HB 2433, 2nd ENG -- Taxation
By Finance & Taxation; Albright
Linked Bill(s): None
Related Bill(s): CS/HB 545, CS/HB 619, HB 1493, CS/HB 1885, 2nd ENG, HB 2253, CS/SB 1070, 1st ENG

Committee(s) of Reference: Finance & Taxation

This bill makes the following changes to the administration of revenue laws:

- amends the statute of limitations for audit so that effective July 1, 2002, the limitations period is three years for all open periods;
- transfers the responsibility for the collection of civil penalties assessed by the Elections Commission from the Department of Revenue to the Elections Commission;
- deletes a duplicate filing requirement for certain insurance companies;
- provides for the sharing of specified information by the Department of Revenue with the Department of Management Services and the Department of Highway Safety and Motor Vehicles;
- directs the manner in which an independent or dependent special district assesses a mobile home or recreational vehicle park facility;
- provides optional filing periods for certain entities required to pay gross receipts tax;
- allows the Department of Revenue to suspend reporting requirements for motor fuel terminal operators and bulk carriers when identical data becomes available to the Department from the Internal Revenue Service;
- clarifies the exemption from the indexed tax of 20 percent of the manufactured asphalt used for any government public works project;
- clarifies the manner in which interest is applied to tax deficiencies;
- provides authority to the Department of Revenue to enter into contracts with public or private vendors to develop and implement a voluntary system for sales and use tax collection and administration;
- allows taxpayers to remain in a less frequent filing status even when the taxpayer remits an amount of tax greater than the threshold for their present filing status;
- removes a requirement that the Department of Revenue use statistical sampling during audits;

- -- provides that a court may award costs and attorney's fees to a taxpayer if the Department of Revenue improperly rejected or modified a conclusion of law in an administrative proceeding to contest a tax assessment or a denial of refund;
- -- provides that a taxpayer has the right to be treated in a professional manner by Department of Revenue personnel and has the right to obtain simple, nontechnical statements which explain the reason for audit selection; and,
- -- provides that doubt as to liability for tax and interest exists when a taxpayer establishes reasonable reliance on the written determination issued by the Department of Revenue.

In addition, the bill does the following:

- -- adds to the sales tax exemption on equipment or machinery for pollution control, specialty chemical or bioaugmentation products;
- -- for the purpose of the sales tax exemption for machinery and equipment used in the production of electrical or steam energy, provides an exemption if 15% or less of all electrical or steam energy generated was produced by burning residual fuel;
- -- adds SIC code 35 (computer manufacturers) to the exemption for repair and labor charges. SIC code 35 was inadvertently left out of the bill creating the exemption last year. The Department of Revenue has implemented the law as if SIC code 35 were included;
- -- provides a sales and use tax exemption for moveable receptacles in which portable containers are placed when used for processing farm products;
- -- adds savings association holding companies to the list of entities exempt from the intangible tax;
- -- provides a retroactive exemption for renewals of promissory notes for revolving obligations, if the renewal extends the existing agreement for certain term obligations;
- -- provides instructions for adjustments to the 1997 base year revenue for the purpose of calculating firefighters and police officer pension plans;
- -- provides a refund to the cigar industry for sales tax paid on certain uses of electricity and steam for the period July 1, 1998, through June 30, 1999;
- -- provides an ad valorem tax exemption for a not-for-profit water and wastewater system which holds a current exemption for federal income tax under section 501(c)(3) if the sole or primary function of the corporation is to construct, maintain, or operate a water or wastewater system;
- -- provides that when an independent or dependent special district levies an assessment on a mobile home or RV park, the assessment shall not be based on the assertion that the facility is comprised of residential units;

-- provides a sales tax exemption for people-mover systems when purchased by contractors employed by a governmental unit for use in publicly owned facilities;
-- provides that a taxpayer who failed to file a consolidated intangible tax return, may file such return before July 31, 2000, if the taxpayer was a member of an affiliated group who previously filed consolidated returns for corporate income tax purposes; and
-- provides that revenue collections from cigarette taxes will no longer be deposited into the Municipal Financial Assistance Trust Fund or into the Revenue Sharing Trust Fund for Municipalities. Instead 1.0715 percent of available proceeds from sales and use tax collections shall be transferred to the Revenue Sharing Trust Fund for Municipalities.

The estimated fiscal impact upon General Revenue is ($2.8) million for FY 00-01 and ($2.7) million for FY 01-02. There will be a negative, but insignificant impact on the Solid Waste Management Trust Fund. The estimated fiscal impact upon local governments is ($0.7) million for FY 00-01 and ($0.3) million for FY 01-02. The total estimated fiscal impact for this bill is ($3.5) million for FY 00-01 and ($3.0) million for FY 01-02.

Subject to the Governor's veto powers, the effective date of this bill is upon becoming a law.

General Appropriations Committee

HB 253, 1st ENG -- Lawton Chiles Endowment Fund
By Fasano & others
Linked Bill(s): HB 2375
Related Bill(s): None

Committee(s) of Reference: General Appropriations

HB 253, provides that funds from the Lawton Chiles Endowment Fund for FY 2000-2001 shall be distributed based upon legislative appropriations. Beginning FY 2001-2002, and continuing each year thereafter, funds from the Endowment available for appropriation according to the schedule established in s. 215.5601(4), F.S., shall be distributed as follows:

- 50% to the Department of Children and Family Services (DCF) to be used for children's services;

- 33.5% to the Department of Health (DOH) to be used for the biomedical research initiatives established in s. 215.5602, F.S.;

- The remaining funds to the Department of Elderly Affairs (DEA) for elder services.

Appropriations to the Departments of Children and Family Services and Elder Affairs shall be from a unique, identifiable appropriation category called "Lawton Chiles Endowment Fund Programs." These appropriations shall be distributed according to any directions in the General Appropriations Act (GAA).

Further, the bill calls upon the Secretary of Health and the Director of Health Care Administration, with the Secretaries of Children and Family Services and Elder Affairs, to develop a list of the top five funding priorities for both children's and elder services eligible for funding from the Endowment. These lists are to be developed no later than October 1 of each year, and made available to the advisory councils for children's and elder services, which are created in this bill, no later than November 15 each year.

HB 253 establishes the Lawton Chiles Endowment Fund Advisory Councils within DCF and DEA for the purposes of evaluating and ranking for legislative consideration the recommendations submitted by the agency heads each year. The councils are to be responsible for providing criteria and guiding principles to rank and evaluate children's and elderly program proposals submitted by the agencies, and subsequently provide a recommendation to the legislature by February 1 each year. In addition, the councils are to provide recommendations on funding levels for the ranked programs, as well as participate in periodic program evaluations to determine the need for continued funding.

Finally, HB 253 appropriates $2 million in nonrecurring funds to be appropriated from the Department of Health Tobacco Settlement Trust Fund for the Florida Biomedical Research Program.

Subject to the Governor’s veto powers, the effective date of this bill is July 1, 2000.

HB 2377, 2nd ENG -- State Budgetary Process
By General Appropriations; Pruitt
Linked Bill(s): None
Related Bill(s): None

Committee(s) of Reference: General Appropriations

HB 2377 revises the planning and budgeting laws, primarily in Chapter 216. The bill updates and modernizes chapter 216 to agree with actual practices and procedures that have evolved in recent years as the state becomes more computerized and changes in the appropriations bill format are authorized. There are three new procedures included in HB 2377 that are major revisions to current practices: establishment of a Legislative Budgeting Commission which will assume all of the budget responsibilities of the Administration Commission; establishment of zero-based budgeting principles for reviewing, on an 8 year cycle, agency budgets; and establishment of a community budget request process that allows local governments and non-profit organizations the opportunity to submit requests for state funding.

Subject to the Governor's veto powers, the effective date of this bill is July 1, 2000.

HB 2393, 2nd ENG -- Retirement
By General Appropriations; Pruitt; Fiorentino; Fasano; and Goode
Linked Bill(s): None
Related Bill(s): HB 191; HB 369, 1st ENG; CS/HB 805

Committee(s) of Reference: General Appropriations; General Government Appropriations

Defined Contribution Retirement Program

This legislation creates the Public Employee Optional Retirement Program within the Florida Retirement System, a defined contribution retirement program, as an alternative to the existing defined benefit retirement program. Under the optional retirement program, the employees will have the opportunity to direct the investment of their retirement contributions in a number of investment options (mutual funds, annuities, etc.), and will have several options (lump-sum, rollover into another qualified account, or periodic distributions) for the distribution of their account balances upon retirement. An employee needs only 1 year of service to vest in the defined contribution retirement program.

State employees will have the option to elect to participate in the optional retirement program during the period of June through August 2002; school district employees will have the option during the period of September through November 2002; and other public employees will have the option during the period of December 2002 through February 2003. The current employees will have at least a 90 day education period prior to the election period. New employees will have a 180-day window to be educated on the relevant benefits of each program and to decide in which program to participate.

Employers participating in the Florida Retirement System are assessed a 0.1% assessment against their payroll for FY 2000-01 and 2001-02. These funds will be used by the State Board of Administration to offset the costs associated with the implementation of the optional retirement program, including the education component.

Defined Benefit Retirement Program

This legislation reduces the years of service required for vesting in the defined benefit retirement program to 6 years for all classes. This reduction is effective July 1, 2001, and applies to all employees on that date. If a member is not employed on July 1, 2001, the member must be re-employed by an employer participating in the FRS for at least one work year.

This legislation expands the positions eligible for special risk retirement benefits to include community-based correctional probation officers and certain correctional medical workers who have significant contact with inmates in the correctional system or patients in the forensic institutions. These employees will receive annual service credit at the rate of 3% per year rather than the 1.6% rate enjoyed by the Regular Class. These provisions are effective January 1, 2001. These provisions were also included in CS/HB 805.

In addition, for those members of the Special Risk Class who retire after July 1, 2000, and had special risk service during the period of October 1, 1978, through December 31, 1992, the annual service credit will be at the rate of 3% for those years. These provisions were also included in HB 191.

This legislation makes participation in the Senior Management Service Class compulsory for assistant state attorneys, assistant public defenders, assistant statewide prosecutors, and assistant capital collateral regional counsels, effective January 1, 2001. These employees will receive annual service credit at the rate of 2% per year rather than the 1.6% rate enjoyed by the Regular Class. However, these employees are not eligible to participate in the Senior Management Service Optional Annuity Program. These provisions are effective January 1, 2001. These provisions were also included in HB 369.

Based upon the recommendation of the Trustees of the State Board of Administration, this legislation includes statutory authorization for a contribution rate stabilization mechanism for the Florida Retirement System. This mechanism reserves a portion of the surplus of the FRS Trust Fund to be used to offset any contribution rate increase needed as a result of adverse experience. The amount of funds over the reserve may be used to offset employer contributions into the Fund or increase employee benefits, at the discretion of the Legislature.

The legislation also reduces the employer contributions for FY 2000-01 by 1.0 percentage points or the equivalent of $190 million statewide. The savings are estimated to be $85 million for school districts, $44 million for counties, and $40 million for state agencies.

Subject to the Governor's veto powers, the effective date of this bill is July 1, 2000.